

Message Text

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ORIGIN ARA-10

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ARA/AND/P - MR. FULLER (IN DRA)
-----104572 242018Z /46

O 241916Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY LIMA IMMEDIATE

C O N F I D E N T I A L STATE 132198

LIMDIS FOR AMBASSADOR FROM BUSHNELL

E.O. 11652: GDS

TAGS: EFIN, PE

SUBJECT: COMMERCIAL BANK LENDING TO PERU

REFERENCE: LIMA 4496

1. INTERNATIONAL BANK STEERING GROUP WAS VERY DIVIDED
IN MAY 23 MEETING ON PERU. NEW CIVILIAN ECONOMIC TEAM AND
EXTENT OF MEASURES ALREADY ADOPTED ENCOURAGED SOME BANKS TO
CHANGE POSITION AND BE FORTHCOMING ON PERU SITUATION. HOW-
EVER, OTHER BANKS STILL DOUBT ABILITY PERU REACH SATISFACTO-
RY AGREEMENT WITH IMF AND CARRY IT OUT.

2. ONLY CONSENSUS POSSIBLE WAS THAT BANKS WOULD ROLL
OVER UNTIL DECEMBER 31, 1978, ALL MATURITIES COMING DUE
AFTER DATE OF AGREEMENT SIGNED BETWEEN BANKS AND PERU
WHICH EXPECTED TO BE NOT LATER THAN JUNE 30. LATER, AFTER
IMF AGREEMENT REACHED AND FIRST DRAWING ON IMF MADE, BANKERS
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WOULD AGAIN SIT DOWN WITH PERUVIANS TO WORK OUT THREE TO
FIVE YEAR REPAYMENT TERMS ON TOTAL AMOUNT COMING DUE
DECEMBER 31ST AND PROBABLY DEAL WITH 1979 MATURITIES
AS WELL.

3. BANKERS REPORT THAT PERU HAS ONLY ABOUT \$17 MILLION
DOLLARS LEFT FROM OCCIDENTAL DEPOSIT AND OTHER INFLOWS. HOW-

EVER, PERU EXPECTS \$25 MILLION FROM VENEZUELA, \$30 MILLION FROM COMBINATION MEXICO, BRAZIL, ARGENTINA AND IS NEGOTIATING FOR \$25 MILLION FROM SPAIN. THUS, BANKERS BELIEVE SITUATION MANAGEABLE UNTIL DATE OF BANK CONTRACT SIGNING, ALTHOUGH CENTRAL BANK WILL STILL HAVE TO RETAIN SO MUCH OF INCOMING FOREIGN EXCHANGE THAT PRIVATE SECTOR WILL BE SEVERELY SQUEEZED.

4. BANKERS ENCOURAGED PERU TO MOVE AS RAPIDLY AS POSSIBLE TOWARD AGREEMENT WITH IMF.

5. BANKERS COMMENTED THAT USG SUPPORT FOR PERU, EXCEPT FOR FAVORABLE NOISE, NOTABLY ABSENT AND MADE EFFORT SOME BANKS ARGUE FOR MORE FAVORABLE OUTCOME AWKWARD. BUSHNELL POINTED OUT LARGE AMOUNTS OF CCC AND PL-480 CREDITS PROVIDED, CONTINUED AID ASSISTANCE AND WILLINGNESS RESCHEDULE PUBLIC SECTOR DEBT BUT ADDED USG LACKING TOOLS FOR DIRECT BALANCE PAYMENTS SUPPORT.

6. ABOVE INFORMATION PROVIDED IN CONFIDENCE WHICH SHOULD BE MAINTAINED. CHRISTOPHER

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